

62-1043

FEB 10 1962

~~SECRET/NOFORN~~

Dear Mr. McCone:

As you know, USNSO has suggested an educational campaign within the framework of NATO to convince those countries which are still skeptical of the effects of economic countermeasures against the USSR of the vulnerability of the Soviet economy to reduction in trade by the West. The Department of State has advised USNSO that it agrees with the desirability of launching such a campaign in the North Atlantic Council. The Department is giving consideration to taking the occasion which would be afforded by such an educational effort in NATO as a basis for moving toward consideration as soon as possible of partial countermeasures to meet contingencies short of the blockage of total access to Berlin. This whole matter of economic impact on the USSR of Berlin economic countermeasures was stimulated by Moscow's A-555 of January 16, 1962 (and Moscow's A-603 of January 30, 1962) which discussed at some length the implications as seen by Embassy Moscow of Western action to terminate Soviet purchases of equipment. In order to afford as solid a basis as possible for the presentation of US views on the impact of trade reduction on the Soviet Union, the Department of State feels that it is a matter of highest priority to undertake a detailed study reviewing the conclusions of Embassy Moscow in these messages.

My purpose in writing to you is to request for myself and Mr. Foy Kohler that the Central Intelligence Agency undertake such a study as a matter of urgency. While it would be of great importance that the study be completed on a priority schedule, it is equally important that the study cover in as much depth as feasible the effect of withholding of deliveries from NATO countries to the USSR and the countries of the Soviet bloc. Detailed information as to the orders involved is contained in State Department Intelligence Report No. 8500, "Soviet Bloc Orders for Capital Equipment from the Industrial West," dated July 26, 1961. This information would, of course, have to be

The Honorable
John A. McCone,
Director,
Central Intelligence Agency.

State Dept. review completed

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brought up-to-date. Among the matters which we would hope that the study could cover would be the effect of the termination of such Western orders on the individual industry, on the plan sector of which the industry is a part, and on industries and other activities dependent upon the product which was to be manufactured by cancelled imported equipment. It is requested that the study arrive at some judgments as to the priority of vulnerability of the various equipment orders so as to afford an indication of the relative critical importance of the orders. It would be helpful to have an indication as to how critical bottlenecks would be affected. It is also requested that the study consider the direct and indirect effects of the cancellation of these orders on the allocation of resources and the implications of the withholding of these orders on attainment of over-all plan goals.

Department of State staff members will be prepared to discuss further aspects of this study with members of your staff. In order to be of maximum usefulness to USRO the study should be completed during the first week of March.

Sincerely yours,

Roger Hilsman

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MEMORANDUM FOR: Mr. McCone

A copy of the attached has been sent to
DD/I.

JSE (23 Feb 62)
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

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